

Message Text

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ACTION AGR-20

INFO OCT-01 ARA-16 ISO-00 EB-11 RSC-01 DRC-01 /050 W

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R 091340Z APR 74

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 2135

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FOR USDA FAS GRAIN AND FEED DIVISION

EO 11652: NA

TAGS: EAGR CO

SUBJ: AFFECT OF PRICE ON GRAIN TRADE LEVELS

REF: FASTO CIRC 65

1. CONTINUED STRONG UPTAKE OF WHEAT BY COLOMBIA DESPITE HIGH WORLD PRICES HAS BEEN DUE TO EXISTENCE OF CONSUMER SUBSIDY WHICH HAS ENABLED GOC TO HOLD PRICE OF WHEAT TO MILLERS AT DOLS 112/MT. FUTURE RATE OF IMPORTS WILL DEPEND NOT ON INTERNATIONAL PRICE LEVELS BUT RATHER ON GOC DECISION ON CONTINUATION OF THIS SUBSIDY. MOST SOURCES FEEL EVEN THOUGH NEW ADMINISTRATION TAKES OVER IN AUGUST SUBSIDY WILL NOT BE CHANGED DRASTICALLY BEFORE END 1974. THUS NO REDUCTION IN WHEAT CONSUMPTION THIS CALENDAR YEAR. DUE TO HIGH INTERNAL PRICES OF SUBSTITUTABLE PRODUCTS WHEAT CONSUMPTION DURING FIRST HALF 1975 WOULD LIKELY BE MAINTAINED NEAR 1974 LEVEL DESPITE SUBSIDY REDUCTION OR ELIMINATION. HOWEVER, NO CONSUMPTION GROWTH WOULD BE EXPECTED.

2. WHEAT PRODUCTION IS EXPECTED TO RISE ABOUT 5,000 MT IN RESPONSE TO RECENT 25 PERCENT INCREASE IN SUPPORT PRICE TO DOLS 200/MT. HOWEVER IF PRICES IN ECUADOR REMAIN ABOVE THIS LEVEL, MOST OF THIS WHEAT WILL BE CONTRABANDED ACROSS THE BORDER RESULTING IN NO NET CHANGE IN COLOMBIAN IMPORT REQUIREMENTS.

3. COLOMBIA'S FY 1973 AND 1974 CORN IMPORTS WERE DUE TO PRODUCTION DEFICITS RESULTING FROM ADVERSE WEATHER. ASSUMING FAVORABLE

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WEATHER IN FY 75 CORN PRODUCTION WILL BE SUFFICIENT TO MEET

CONSUMPTION REQUIREMENTS AND NO IMPORTS WILL BE REQUIRED. DOMESTIC
CORN PRODUCTION IS EXPECTED TO RISE 60,000 MT IN FY -5 TO 730,000
MT REFLECTING AT LEAST IN PART 74 PERCENT INCREASE IN THE
SUPPORT PRICE TO 132/MT DOLS SINCE JAN 1, 1973.
VAKY

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